

Message Text

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PAGE 01 BEIRUT 06104 031222Z

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ACTION NEA-16

INFO OCT-01 ARA-16 EUR-25 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEAE-00 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04

PRS-01 USIA-15 DRC-01 FTC-01 AF-10 EA-11 /226 W

----- 127303

R 030828Z JUN 74

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 8136

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

USINT BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

UNCLAS BEIRUT 6104

DEPT PASS AS WARRANTED

E.O. 111652: N/A

TAGS: ENRG, OPEC, EFIN

SUBJECT: OPEC GOVERNMENT CRUDE SALES AT 93 PERCENT

REF: BEIRUT 5970

1. IN ADDITION PROPOSALS REPORTED EARLIER, SEVEN OPEC
NATIONAL OIL COMPANIES (NOCS) WHICH MET BEIRUT MAY 28
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PAGE 02 BEIRUT 06104 031222Z

ALSO PROPOSED, ACCORDING ARAB OIL AND GAS/JUNE 1, THAT

THEY SELL NOC CRUDE AT MINIMUM OF 93 PERCENT OF POSTED PRICE UNLESS OPEC MINISTERIAL QUITO RAISES ICOME TAX (ON COMPANY EQUITY CRUDE) FROM 55 TO 87-95 PER CENT, IN WHICH CASE NOCS WILL FIND ANOTHER MINIMUM PRICE FORMULA. WHATEVER FORMULA ADOPTED,AOG CONTINUED, AGREED MINIMUM PRICE WILL BE OBLIGATORY FOR NOCS CONCERNED. TO SUPORT MINIMUM, NOCS RPT NOCS MAY CUT PRODUCTION OR SWAP CRUDE, AOG REPORTED, ADDING THAT THESE PROPOSALS WERE TO BE SUBMITTED TO PEC ECONOMIC COMMISSION BOARD VIENNA MAY 30 AND TO OPEC MINISTERIAL QUITO JUNE 15. AOG SAID NIGERIA, QATAR AND INDONESIA MAY "JOIN/ BEIRUT SEVEN BUT THAT SAUDI ARABIA CONTINUING PRACTICE "EMPTY CHAIR" POLICY AT OPEC DELIBERATIONS ON FISCAL AND MARKETING ACTIVITES.

2. MIDDLE EAST ECONOMIC SURVEY (MEES) MAY 31 DESCRIBED BEIRUT NOC GATHERING AS INFORMAL MEETING, DID NOT REPORT ABOVE. MEES, HOWEVER, CARRIED INTERESTING STUDY OF POTENTIAL OPEC REVENUES FOR 1974 IF OPEC MIDDLE EAST MEMBERS (1) FOLLOWS QATAR AND KUWAIT IN ACHIEVING 60 PERCENT PARTICIPATION FOR 1974 AND (2) SELL THEIR 40 PERCENT CRUDE ENTITLEMENT AT 93 PERCENT OF POSTED PRICE. IF MIDDLE EAST OPEC MEMBERS PRODUCE 22.394 MBPD FOR 1974, THIS SCENARIO WOULD RAISE 1974 REVENUES FROM \$66.9 BILLION TO \$76.8 BILLION AND AVERAGE REVENUE PER BARREL FROM \$8.18 TO \$9.39. FOR OPEC AS WHOLE, IF 1974 PRODUCTION IS 32.294 MBPD, 1974 REVENUES WOULD INCREASE FROM \$105.3 BILLION TO \$115 BILLION, PER BARREL REVENUE FROM \$8.93 TO \$9.76, BASED ON EXISTING ARRANGMENTS FOR MEMBERS OUTSIDE MIDDLE EAST. USING PARTIAL TRADE DATA FOR 1972OR 1973 FOR OEC COUNTRIES, MEES ESTIMATES THAT OPEC IMPORTS FOR 1973 WERE \$20.5 BILLION AND IN 1974 WOULD NOT EXCEED 328 BILLION (ARMS IMPORTS EXCLUDED), RESULTING IN OPEC TRADE SURPLUS FOR 1974 OF \$87 BILLION, COMPARED TO PREVIOUS IMF ESTIMATE OF \$65 BILLION SURPLUS. GODLEY

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